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IN THE

Supreme Court of the United States

OCTOBER TERM, 1961.

No. 509

BORG-WARNER CORPORATION,

Petitioner,

vs.

YORK-SHIPLEY, INC.,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

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Petitioner, Borg-Warner Corporation, respectfully prays that a writ of certiorari issue to review a final judgment of the United States Court of Appeals for the Seventh Circuit modifying the judgment for respondent entered by the United States District Court for the Northern District of Illinois.

OPINION BELOW

The Findings of Fact and Conclusions of Law of the District Court for the Northern District of Illinois, Eastern Division, (P.A. 348-357)* were not officially reported. The opinion of the Court of Appeals for the Seventh Circuit (Op. .....) is reported at ..... F. 2d ....., and a copy thereof is appended hereto (App. B, *infra,* pp. 3a-16a).

The judgment of the Court of Appeals and the order denying petitions for rehearing of petitioner and respondent are printed in Appendix B hereto (App. B, *infra.* pp. 17a-18a).

JURISDICTION

The judgment for the Court of Appeals for the Seventh Circuit was entered July 26, 1961. Timely petitions for rehearing, filed by both parties, were denied on September 13, 1961 (App. B, *infra,* p. 18a). Jurisdiction of this Court is invoked under 28 U.S.C. 1254 (1).

QUESTIONS PRESENTED

1. Can trademark rights in a geographic word be acquired absent proof that such word had acquired a secondary meaning identifying the source of specific products prior to the initial use of such geographic word on the same products by another user?

2. Where, to establish exclusive trademark rights in a geographic word, a seller must prove that the word

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*** The following parts of the record below are referred to herein as follows;**

Plaintiff-Appellant's Appendix to Court of Appeals, (P.A.——-——);

Defendant-Appellee's Appendix to Court of Appeals, (D.A.————);

Exhibit Volume (Ex. Vol.).

had acquired the necessary secondary meaning as to a particular product prior to the use of that word by another seller on a similar product, does Rule 52(a) of the Federal Rules of Civil Procedure permit a court to grant the first seller exclusive trademark rights in the complete absence of any finding that secondary meaning has been established prior to such use by the other seller?

3. Can use only of a combination trademark establish monopoly rights in a geographical word which is merely a component of such trademark?

STATUTES AND FEDERAL RULES INVOLVED

Pertinent portions of the Lanham Trademark Act (15 U.S.C. Sec. 1127) and Rule 52(a) of the Federal Rules of Civil Procedure (28 U.S.C.) are set forth in Appendix A hereto.

STATEMENT

Petitioner, Borg-Warner Corporation, is the successor to a Pennsylvania partnership, York Manufacturing Company, formed in 1874, and incorporated in 1895, under the same name. In 1927, the corporation merged with certain of its distributors to form York Ice Machinery Co., and in 1942, changed its name to York Corporation. The business was merged into petitioner in 1956, and since that time has been operated as the York Division of Borg-Warner Corporation. Through its York Division, Petitioner manufactures and sells a full line of commercial and residential air-conditioning equipment, including warm-air furnaces, sold under the trademark YORK.

Respondent, York-Shipley, Inc., was organized in 1926 as Thomas Shipley, Inc., a holding company. In 1938, Thomas Shipley, Inc., acquired the stock of York Oil

Burner Co., which was the successor to a partnership formed in 1922. In 1943, the name of Thomas Shipley, Inc., was changed to York-Shipley, Inc. Respondent manufactures and sells heating equipment, including warm-air furnaces, sold under combination trademarks within a fanciful design which include the word YORK.

Both petitioner and respondent have carried on their business from York, Pennsylvania.

Petitioner brought this action against respondent in 1958 charging infringement of petitioner's trademark YORK and unfair competition. Respondent counterclaimed, charging trademark infringement and unfair competition by reason of petitioner's use of YORK in connection with the sale of residential furnaces. The District Court found in favor of respondent and entered judgment enjoining petitioner from using the word YORK in any way in connection with the sale of any furnace or heat-generating products and awarding respondent damages and an accounting for profits.

The Court of Appeals reversed the District Court's award of an accounting, set aside the award of damages as unsupported by the evidence, and directed that the injunction be modified to limit its application to hot-air furnaces and oil conversion burners. The Court of Appeals stated that petitioner should not be restrained from employing its trademark on air-conditioning equipment containing heating coils or on other air-conditioning devices containing heating units such as had been previously used by petitioner or by the air-conditioning industry. It further stated that respondent should not be permitted to advertise its furnaces as YORK air-conditioners. (Op. 14a) The Court of Appeals remanded the proceeding to the District Court with instructions that it recompute damages.

For purposes of this petition, petitioner is not now challenging the denial of the affirmative relief which it sought below. Nor is petitioner challenging that part of the decision below granting respondent the exclusive right to use YORK for oil conversion burners.

The sole issue presented by this petition is whether or not the courts below properly granted respondent a monopoly right to the trademark YORK as applied to hot-air furnaces sold as separate units.

The facts relating to this issue are as follows:

The courts below found that respondent began manufacturing and selling furnaces in 1933 (P.A. 363). The record, however, contains no sales figures for furnaces prior to 1938 nor did respondent report sales of furnaces through 1937 in sworn reports of the products which it sold as required by the State of Pennsylvania. Respondent did not advertise furnaces at all prior to 1936 and then only to a very limited extent in trade journals. Respondent began selling gas-fired furnaces in 1953.

There is no evidence that respondent ever sold furnaces branded with the single word YORK although it used such word on its oil conversion burners and boiler-burner units along with the names PRESSURE and LEADER (P.A. 190). In 1935, respondent adopted the combination YORK Yh HEAT vertical design (P.A. 326). In 1943, respondent registered Yh as its trademark (P.A. 334), and in 1950, secured a registration of the combination mark YORK Yh HEAT within a fanciful vertical design (P.A. 325). In securing the later registration, respondent disclaimed the word "Heat", and offered to disclaim "York", stating that "applicant's trademark is not 'York'" (P.A. 330).

Petitioner, on the other hand, has used the single word YORK as its trademark and trade name since at least 1897 (Ex. Vol., PX 168-171, 174-183; DX 121). In 1897, petitioner's predecessor began to specialize in the manufacture of ice-making and refrigeration equipment (Ex. Vol., PX 169, June, 1920). Such refrigeration equipment was later put to use for the conditioning of air for human comfort and by the "late 1920's" (Finding 7, P.A. 348), air-conditioning apparatus was a regular part of the "YORK" line (Ex. Vol., DX 172, P.A. 62, 70). Early uses of petitioner's refrigeration equipment for the conditioning of air included storage rooms, factories (1908), hotels (1912), and theatres (1914), all long prior to 1922, when respondent commenced business (Ex. Vol., PX 150, Aug., 1922, Oct., 1922, and Nov., 1922; PX 174, March, 1931; P.A. 80). The air conditioning of residences by petitioner goes back as early as 1924 (Ex. Vol., PX 150, Feb., 1924).

Petitioner's ice-making, refrigeration, and air-conditioning equipment was all sold under the single name and trademark YORK (Finding 7, P.A. 348), and petitioner obtained registrations of that single word as its trademark (Finding 8, P.A. 349).

Petitioner's sales of YORK trademarked products were $46,000,000 from 1922 to 1928, $147,460,000 from 1928 to 1938, and over $900,000,000 from 1939 to 1959. During the years 1929 through 1937, when respondent was spending less than $6,500 per year on all of its advertising, petitioner was spending $179,000 per year. From 1922 through 1937, petitioner spent $2,400,000 advertising YORK.

Petitioner's early YORK installations included heating as well as cooling apparatus (see, *e.g.*, banana-ripen-

ing room and storage installations, Ex. Vol., PX 172, P.A. 60, 61; Rochester bank systems, Ex. Vol., PX 150, July, 1923). Petitioner supplied heat-generating boilers in connection with theatre air conditioning in the '20's (P.A. 71, 72). Beginning in the early 1930's, and continuing to the present time, petitioner has marketed combination heating and cooling equipment for stores, restaurants, theatres, hotels, office buildings, railroad passenger cars, and private and multiple residences (Ex. Vol., PX 132, 147, 148, 166, 174, 175, 219). From 1934 to 1954, 249 YORK cooling and heating systems were installed by petitioner in Woolworth stores throughout the country. Many of these YORK installations throughout the period, included furnaces (Ex. Vol., PX 213).

In 1938, petitioner purchased residential furnaces which it resold as separate units and as part of complete air-conditioning systems under its trademarks YORK and YORKAIRE (Op. 11a) and continued such sales until World War II (Op. 11a; D.A. 5). Sales of YORK branded furnaces was resumed by petitioner in 1953 (D. A. 27). Since 1958, when York was acquired by petitioner, it has sold furnaces which it manufactured itself (D. A. 27).

Respondent's officers (*e.g.*, P.A. 117) admitted that prior to the time respondent's predecessor came into existence in 1922, YORK had a secondary meaning signifying petitioner and its products. This secondary meaning has persisted (see, *e.g.*, Ex. Vol., PX 3, p. 6; P.A. 100, 110, 205). One of respondent's witnesses testified that even at a time when petitioner was not marketing furnaces, members of the public commonly believed that respondent's furnaces came from petitioner (P.A. 167-168).

The District Court found that YORK had acquired a secondary meaning signifying respondent and its fur-

naces (Findings 27 and 38, P.A. 352, 354) but made no finding as to *when* such secondary meaning was acquired. The District Court concluded:

> "Defendant's (respondent's) long priority in the use of the name and trademark YORK for furnace and heating products entitled defendant to the exclusive use of said name and trademark for furnace and heating products" (Conc. No. 3, P.A. 355).

On appeal, petitioner asserted that these findings and this conclusion were insufficient to sustain the judgment in favor of respondent, for the reason that prior use does not create exclusive trademark rights in a geographic word such as YORK, and "the record contains no proof or finding of fact that defendant had acquired a secondary meaning in the name YORK before plaintiff applied that name to its furnace and heating products" (Op. 6a).

The Court of Appeals agreed with petitioner that prior use alone did not create monopoly rights in a geographic word but failed to recognize that the secondary meaning necessary to create such rights in such a word must be acquired prior to the use thereof by the second user.

The Court of Appeals held that petitioner is barred from using its trademark YORK on furnaces and that respondent had exclusive rights in that mark despite respondent's failure to prove: (1) That it had established any rights in that mark before petitioner's use thereof on furnaces; and, (2) that it had ever used that mark on furnaces.

REASONS FOR GRANTING THE WRIT

1. In the present posture of this case, respondent claims exclusive rights to the geographic word YORK as a trademark for furnaces while petitioner claims only the right to continue to use its trademark YORK for furnaces.

The decision of the court below sustaining respondent's claim to exclusive trademark rights in YORK is squarely in conflict with decisions of the Court of Appeals for the Second and Sixth Circuits. *Upjohn Co.* v. *Wm. S. Merrell Chemical Co.*, 6 Cir., 1920, 269 Fed. 209; *Speed Products Co., Inc.* v. *Tinnerman Products, Inc.*, 2 Cir., 1949, 179 F. 2d 778, 781-82, opinion on remand, S.D.N.Y., 1951, 93 U.S.P.Q. 193, 199, aff'd, 222 F. 2d 61; *Federal Glass Co.* v. *Loshin*, D.C. Conn., 1954, 126 F. Supp. 737, 742, aff'd, 2 Cir., 1955, 224 F. 2d 100; *Lucien Lelong, Inc.* v. *Lander*, 2 Cir., 1947, 164 F.2d 395, 397.

The rule followed by the courts of the Second and Sixth Circuits in resolving competing claims such as those stated herein was succinctly stated in *Speed Products Co., Inc.* v. *Tinnerman Products, Inc.*, S.D.N.Y., 1951, 93 U.S.P.Q. 193, 199:*

> "When the trade marks in issue consist of descriptive words, priority of use is not controlling, unless the complaining party can also show that its mark had acquired a secondary meaning before the alleged infringer entered the field."

Under this rule, respondent to prevail on its claim of monopoly rights would have to prove not only that it was the first to use YORK for furnaces, but also that YORK had acquired a secondary meaning identifying

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* Affirmed, 2 Cir. 1955, 222 F. 2d 61. For a prior opinion remanding the case for consideration of this precise point, see 179 F. 2d 778, 781-82.

furnaces labeled YORK as respondent's products *before* petitioner first used YORK for its furnaces. Absent such proof, petitioner would be free to continue to use YORK for its furnaces.

Although the District Court found that YORK had acquired a secondary meaning identifying respondent's furnaces at some time, it made no finding whatsoever as to *when* that secondary meaning was acquired (Findings 27, 38, P.A. 352, 354). It based its conclusion that respondent had the exclusive right to use YORK for furnaces solely upon its determination that respondent had established priority of use (Concl. No. 3, P.A. 355).

The Court of Appeals, in upholding this result, refused to follow the rule adopted in the Second and Sixth Circuits but held that the District Court's conclusion, based on priority of use, coupled with its findings that YORK, at some time, had acquired a secondary meaning identifying respondent's products, was sufficient to sustain respondent's claim to a monopoly right to YORK for furnaces.

Under this holding, the critical question in resolving such a case as this in the Second and Sixth Circuits—"Did the trademark in issue have a secondary meaning identifying the complaining party's goods *before* the alleged infringer used the mark?"—is wholly irrelevant in the Seventh.

The rule adopted by the Court below is supported neither by reason nor by authority. Unlike coined or fanciful words, mere use creates no rights in geographic or other descriptive words. The law has consistently protected the public's right freely to use such words unless, and until, such words have acquired a secondary meaning apart from their primary descriptive meaning,

identifying the goods of a particular seller to the purchasing public. 1 NIMS, UNFAIR COMPETITION AND TRADEMARKS, §37 (4th ed., 1947). As the court stated in *Upjohn Co.* v. *Wm. S. Merrell Chemical Co.*, 6 Cir., 1920, 269 Fed. 209, at 211, where

> ". . . imitation relates only to matters as to which the defendant has, prima facie, a right equal to plaintiff, there must have been a public acquiescence in plaintiff's appropriation of these things for his product . . . sufficient to have created that secondary meaning whereby they have become to the public, indicia of origin; . . . as to those means of identification which are descriptive, or which, for any reason, are known and open to all, there is no basis, in principle or in authority, for the creating of a title or quasi exclusive right in plaintiff, except the theory that there has been this public sanction of plaintiff's appropriation, by acquiescence which has continued long enough and under circumstances suitable to raise a presumption that the public concedes the right and to make it inequitable thereafter to dispute it."

Clearly, as the court further stated (269 Fed. at 212):

> "The situation must be judged as it was . . . when defendant first came on the market . . ."

This is necessarily so. The right given to the owner of a trademark to prevent its use by others is given to protect his proprietary interest in that mark, and

> ". . . there can be no larceny, unless the title or possessory right of the first holder is better than that of the second taker, and . . . in this case, until . . . (a secondary meaning had been acquired), plaintiff's title . . . was no better than defendant's" (269 Fed. at 214).

It would be manifestly unjust to deprive a seller of the right to continue to use a geographic word in his trade,

which it had every right to use when it began, merely because another has subsequently acquired some interest in that word. *Quaker State Oil Refining Co.* v. *Steinberg,* 1937, 325 Pa. 273, 189 Atl. 473, 476; Anno., *Unfair Competition—Secondary Meaning,* 150 A.L.R. 1067, 1086.

Even a casual review of any volume of the reports of federal decisions discloses that the law of trademarks and unfair competition constitutes a substantial portion of the business of the federal courts. The issue upon which the decision of the court below is in conflict with that of other Courts of Appeals is of importance to that law, and the conflict should be resolved by this Court.

2. Rule 52(a) of the Federal Rules of Civil Procedure requires that the trial court make explicit findings of fact on every material issue. *Bank of Madison* v. *Graber,* 7 Cir., 1946, 158 F. 2d 137, 141. In this case, the District Court made no finding whatsoever as to *when* the geographic word YORK acquired a secondary meaning identifying respondent's furnaces. This issue was not only material, it was controlling under the applicable law.

The District Court's failure to make any finding on this issue required that its judgment be reversed. *Kueskin* v. *Finkelstein,* 7 Cir., 1955, 223 F. 2d 677, 678; *Gindorff* v. *Prince,* 2 Cir., 1951, 189 F. 2d 897, 903-4; *Hubshman* v. *Louis Kerr Shoe Co.,* 7 Cir., 1942, 129 F. 2d 137.

This is not a case where the Court of Appeals, on the basis of the record before it, sustained the judgment of the District Court by supplying the missing essential finding. Furthermore, this is not a case where the Court of Appeal could have done so.

Petitioner first used YORK on its furnaces not later than 1938 (Finding 9, P.A. 349). To prevail, respondent had to show that the word YORK signified its furnaces prior to that time. Secondary meaning may be established by direct testimony of consumers or of the trade, by evidence of "long, extensive and exclusive use," and by evidence of the extent of sales and the extent and manner of advertising. 2 NIMS, UNFAIR COMPETITION AND TRADE-MARKS, § 334 (4th ed., 1947).

In this case, respondent offered no direct evidence of secondary meaning prior to 1938. The only direct evidence as to the secondary meaning of the word YORK, including the testimony of respondent's own officers, was that YORK identified petitioner and its products (Supra, p. 7, D.A. 502-510).

Respondent's only use of YORK for furnaces was as a part of a combination mark in a fanciful design. Petitioner, not respondent, was the first to use YORK as a trademark. By the time respondent came into existence, YORK was firmly established as petitioner's trademark, and, when respondent first used YORK for furnaces, petitioner had for years been installing YORK air-conditioning systems which included heating as well as cooling, and continued to do so thereafter. As early as 1934, petitioner was installing furnaces in its YORK air-conditioning system in Woolworth stores.

The record is devoid of any evidence that respondent actually sold a furnace before 1938; its sworn statements to the State of Pennsylvania are that it did not. Its furnace advertising, which did not begin until 1936, was limited to trade journal advertising, and to very little of that.

Thus, there is not a scintilla of evidence to show that YORK identified respondent's furnaces when petitioner entered the field. On the present record, a finding that YORK did identify respondent's furnaces at that time would be clearly erroneous.

To permit the court below to sustain a judgment where the District Court failed to make the controlling determination of fact, and where the record would not permit the essential finding, makes a mockery of the requirements of Rule 52(a).

3. The decision below awards to respondent exclusive rights in a geographic term which respondent has not used as a trademark on furnaces.

The first two questions presented by this petition and the discussion of them have assumed some use by respondent of the geographical word YORK alone to which it has been awarded monopoly rights by the courts below. But the record is clear that respondent has not used that word alone as a trademark on furnaces. The record shows that respondent has repeatedly asserted that YORK is not its mark, has offered to disclaim that word, has distinguished a third party's registration of that word to secure registration of its own trademark and has abandoned any rights it may have acquired in that word.

Respondent has used only its Federally registered combination design marks YORK Yh HEAT and YORK GAS HEAT in fanciful design on its furnaces. There is no showing that respondent ever used the single word YORK as a trademark on furnaces. Nevertheless, the Court of Appeals held that "defendant has the exclusive right to use YORK on . . . furnaces." (Op. 13a). This alone gives rise to the question here presented.

However, the error committed by the courts below is more manifest when considered in the further light of respondent's repeated declarations that it had no rights to the very word in which it now is given monopoly rights.

In December of 1948, respondent emphatically stated to the Patent Office that "its trademark is not 'YORK' but is 'YORK Yh HEAT'." (PX 160, p. 8, P.A. 330). In overcoming a third party's registration of YORK alone respondent asserted, in 1948, that "There has been no confusion in the trade (between YORK and YORK Yh HEAT) because the trademarks are different, and it is believed that there is no reasonable likelihood of confusion".

In its 1954 registration, No. 584,553, respondent stated that "no claim is made herein to that part of the mark consisting of the word 'YORK' * * *."

Respondent's registration No. 520,613 of its combination trademark is based on use established by the affidavit of its president who took oath (PA 325) to "substantial exclusive and continuous use of the trade-mark" for a twelve year period preceding the date of the application for registration. Respondent's president had been an executive and director of petitioner during the time of petitioner's use of its mark YORK alone on furnaces, and is chargeable with knowledge of that use. The first such use by petitioner occurred during the period 1937 through at least the early 1940's. This was within the twelve year period referred to in the affidavit. Accordingly, that affidavit is true and factual only if respondent's president was making claim of use to the fanciful combination trademark of that registration and *not* to YORK.

Moreover, respondent expressly abandoned any right it might at one time have had to the name YORK. While there was no use of YORK by respondent on furnaces there is indication that it had been used on conversion oil burners by York Oil Burner Company through whom respondent makes its claim. However, in 1943, when respondent changed its name to York-Shipley, Inc., it abandoned all use of the word YORK as a trademark. In a "history" compiled by respondent for presentation to the War Contract Renegotiation Board, respondent declared.

> 'The "York" name, originally applied to products of the York Oil Burner Company, was changed to "York-Heat" coincidentally with the expansion of the company into York-Shipley, and today the "York-Heat" and "Steam-Pak" registered trademarks are well-known.'"

(PX 2, p. 20, P.A. 315)

The above quoted admission taken together with the non-use clearly spells out abandonment under Section 45 of the Lanham Trade Mark Act (Title 15 U.S.C. §1127) of the very mark in which respondent is awarded monopoly rights by the courts below.

The decision of the Court of Appeals is unprecedented in sustaining a claim to monopoly rights in a geographical term in which there is not only non-use but express abandonment. The use in combination trademarks of a geographical term is a common practice in trade and in industry. The decision below, if allowed to stand, will undoubtedly give rise to claims for monopoly rights in many of the geographical names so used. If that decision represents the law of trademarks, present users of a geographical name, whether such name is used alone

or in a fanciful design, can continue such use only at their peril and at the risk of suffering damages and other penalties.

The public is entitled to know the basis on which words which are public property will be subject to individual appropriation and exclusive use. The users of such combination marks and of geographical names *per se,* are entitled to know the extent of their rights in such marks, how such rights may be acquired, and the extent to which words in the public domain may be used. Only this Court can give a final answer which will avoid the confusion, uncertainty and proliferation of litigation which will follow the decision of the Court of Appeals in the instant case.

CONCLUSION

It is respectfully submitted that the questions presented should be decided by this Court. The trademark law affects every facet of trade and commerce. Trademark rights, their acquisition and their scope are questions of vital public interest requiring definite and final answers.

Respectfully submitted,

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APPENDIX A.

15 U.S.C. Sec. 1127

"* * *

The term 'mark' includes any trade-mark, service mark, collective mark, or certification mark entitled to registration under this chapter whether registered or not.

For the purposes of this chapter a mark shall be deemed to be used in commerce (a) on goods when it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto and the goods are sold or transported in commerce and (b) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce.

A mark shall be deemed to be 'abandoned'—

(a) When its use has been discontinued with intent not to resume. Intent not to resume may be inferred from circumstances. Nonuse for two consecutive years shall be prima facie abandonment.

(b) When any course of conduct of the registrant, including acts of omission as well as commission, causes the mark to lose its significance as an indication of origin."

Rule 52(a) Federal Rules of Civil Procedure (28 U.S.C.)

"(a) Effect. In all actions tried upon the facts without a jury or with an advisory jury, the court shall find the facts specially and state separately its conclusions of law thereon and direct the entry of the appropriate judgment; and in granting or refusing interlocutory injunctions the court shall similarly set forth the findings of fact and conclu-

sions of law which constitute the grounds of its action. Requests for findings are not necessary for purposes of review. Findings of fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses. The findings of a master, to the extent that the court adopts them, shall be considered as the findings of the court. If an opinion or memorandum of decision is filed, it will be sufficient if the findings of fact and conclusions of law appear therein. Findings of fact and conclusions of law are unnecessary on decisions of motions under Rules 12 or 56 or any other motion except as provided in Rule 41 (b). As amended Dec. 27, 1946, eff. March 19, 1948."

APPENDIX B.

IN THE
UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

No. 13211 SEPTEMBER TERM 1960—APRIL SESSION 1961

BORG-WARNER CORPORATION,
Plaintiff-Appellant,
v.
YORK-SHIPLEY, INC.,
Defendant-Appellee.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

July 26, 1961

Before HASTINGS, *Chief Judge,* DUFFY and KNOCH, *Circuit Judges.*

DUFFY, *Circuit Judge.* The complaint herein contains counts for unfair competition, trademark infringement and trademark cancellation involving the word YORK used both as a trademark and a trade name. Plaintiff claims prior use of the name and trademark YORK for ice-making machinery, refrigeration apparatus, air-conditioning equipment and furnace and heating products. It alleges and offered proof that prior to 1923, the word YORK had acquired a secondary meaning identifying a wide range of products as those of plaintiff.

Defendants denied the allegations of the complaint, urged affirmative defenses such as laches, unclean hands

and narrow rights in YORK, and in addition, counterclaimed for trademark infringement and unfair competition. Defendant claims it commenced its use of the name YORK and trademark YORK for automatic oil burners for furnaces in 1922. This product often was referred to at the trial as oil conversion burners.

After a nine-day trial, the District Court dismissed the complaint. It entered judgment for the defendant on the counterclaim with damages of $2,280,000 plus an accounting of profits, and ordered an injunction against plaintiff using the word YORK in any way in connection with the selling of any furnace or heat-generating product.

York Manufacturing Company, a Pennsylvania partnership, was formed in 1874. The business was incorporated in 1895 as the York Manufacturing Company. The manufacturing facilities were located at York, Pennsylvania. In 1927, it merged with some of its distributors to form York Ice Machinery Company. In the late 1920s or early 1930s, the plaintiff's predecessor commenced the manufacturing of air-conditioning equipment. Commencing in 1938, it purchased and resold furnaces under the brand name YORKAIRE and YORK, but abandoned this effort about 1941. The name of the company was changed in 1942 to York Corporation. In 1954, plaintiff's predecessor again undertook the sale of furnaces purchased from a furnace manufacturer. At least, some of these were marketed under the name YORK.

In 1956, plaintiff, Borg-Warner, acquired the business of York Corporation, and thereafter operated it as its "York Division." Prior to 1956, Borg-Warner had manufactured and sold furnace and heating products under the name "Ingersoll" and used the brands "Ingersoll" and "Airline."

The defendant, York-Shipley, Inc., is also located at York, Pennsylvania, as were its predecessors. A partnership known as York Oil Burner Company was organized in 1922, and was incorporated under the same name in 1928. Defendant, organized in 1926 as Thomas Shipley,

Inc., acquired the stock of York Oil Burner Company in 1938. The York Oil Burner Company continued to operate as a subsidiary of defendant until 1943 when the name of defendant was changed to York-Shipley, Inc. It continued the business of the oil burner company under its new name.

Commencing in late 1922, defendant and its predecessors have manufactured, sold and serviced heating products. First, it was oil burners; since 1927, boiler-room units; and since 1933, warm-air furnaces. These have been for residential and commercial heating. In the early years of its operation, defendant's sales of such products were largely in Pennsylvania and nearby states. Later, its sales territory extended throughout various parts of the United States.

In 1943, plaintiff[1] registered the work YORK as a trademark. It registered this mark in various forms for refrigerating machinery and apparatus, and air-conditioning machinery and apparatus. None of its registrations was for furnace and heat-generating products.

In 1950, defendant registered as its trademark a design which included

Y
O
R
K
Y/H
H
E
A
T

surrounded by a border. In 1955, defendant registered a second similar design in which "GAS" was substituted for "Y/H."

Plaintiff and its predecessors, and defendant and its predecessors each have been doing business with head-

[1] The term plaintiff includes its predecessors unless otherwise indicated.

quarters in York, Pennsylvania, for more than 35 years prior to the commencement of this action. For many years, one of defendant's predecessors was located across the street from the main entrance to the general offices of plaintiff's predecessor. The parties and their predecessors had many dealings and transactions with each other.

In 1958, plaintiff completed the amalgamation of its Ingersoll furnace business into its York Division, and commenced the manufacture and sale of a line of York furnaces and heating products. In the same year, plaintiff announced to the trade and public in large advertisements, "York invades the heating market," and commenced a large scale intensive advertising campaign. Some of these advertisements apparently directed to plaintiff's distributors or dealers, stated: "Now take charge of the complete market for both heating and air-conditioning with York." Until shortly before it commenced this action, neither the plaintiff nor its predecessors had ever objected to defendant's use of YORK for its furnace and heating products business.

Plaintiff strongly urges that the record contains no proof of finding of fact that defendant had acquired a secondary meaning in the name YORK before plaintiff applied that name to its furnace and heating products. Plaintiff refers to Conclusion of Law No. 3 which states defendant's long priority of use of the name and trademark YORK for furnace and heating products entitles defendant to the exclusive use of the name and trademark for furnace and heating products. Plaintiff argues that prior use is not sufficient and secondary meaning is not mentioned. We agree that where a geographical or descriptive word is at issue, prior use alone is not sufficient.

Finding of Fact No. 27 states:

> "As a result of the sales and advertising of YORK furnace and heating products and services by defendant and its predecessors since 1922, defendant's name and trademark YORK had been and is known, by

the trade and public, as the means of identifying the furnace and heating products and services of defendant, and said name and trademark YORK has acquired a distinctiveness and secondary meaning signifying defendant and its furnace and heating products and services, and defendant and its predecessors have developed, and defendant now has, a valuable business and good will which is represented and symbolized by the name and trademark YORK."

Finding of Fact No. 38 is as follows:

"Plaintiff's advertising and use of YORK for furnace and heating products dilutes the distinctive quality of defendant's name and trademark YORK, pre-empts and irreparably damages defendant's good will therein, and irreparably damages the secondary meaning thereof indicating defendant, its services and products."

Although Finding No. 38 is directed principally to the Illinois statute, we think this Finding, together with Finding No. 27 is a sufficient finding as to secondary meaning. We do not think it fatal to defendant's cause on its counterclaim that the words "secondary meaning" were not repeated in Conclusion of Law No. 3.

The name YORK is a geographical term. Generally speaking, trademarks in a geographical name are narrow in scope. *Elgin National Watch Co.* v. *Illinois Watch Case Co.*, 179 U.S. 665, 673. Neither plaintiff nor defendant may monopolize the use of YORK for all manner of products.

In *French Republic* v. *Saratoga Vichy Spring Co.*, 191 U.S. 427, 435, the Supreme Court said:

"True the name is geographical; but geographical names often acquire a secondary signification . . . which enables the owner to assert an exclusive right to such name as against every one not doing business within the same geographical limits; and even as against them, if the name be used fraudulently for the

purpose of misleading buyers as to the actual origin of the thing produced, or of palming off the productions of one person as those of another."

Under the federal trademark registration statute (15 U.S.C. §1051, *et seq.*) plaintiff's and defendant's registrations containing the name YORK are limited to "the goods or services specified in the certificate." 15 U.S.C. §1057(b).

Assuming plaintiff has made a sufficient showing to entitle it to the exclusive use of YORK as to ice-making and refrigeration machinery and apparatus, and also as to air-conditioning apparatus, this does not determine the question as to its claim of exclusive use of YORK in connection with furnaces and heating products or equipment used in connection therewith.

Much of the difficulty in this case arises because of the claims of the parties that each is entitled to the exclusive use of YORK to designate "heat-generating products" or "heat-generating devices." The judgment of the District Court enjoins the plaintiff from manufacturing and selling any furnace or heat-generating products in connection with any business which includes the name YORK.

Before the incorporation of York Manufacturing Company in 1895, it was selling steam engines and boilers. Plaintiff now argues that such products were "heat-generating devices." These products were manufactured and sold by plaintiff's predecessor long prior to the date of defendant's manufacture and sale of oil conversion units in 1922. Also, plaintiff says that in the early 1930s, when its predecessor was manufacturing and selling air-conditioning systems for stores, theaters, hotels and other buildings, heating coils were included with some of these installations.

The District Court was entitled to consider various statements and advertisements of the plaintiff's predecessor which would indicate that the early references to "air-conditioning" referred to refrigeration and ice-making machinery. To illustrate, in February 1915, plaintiff's ad-

vertisements emphasized that it was devoted *exclusively*[2] to the manufacture of ice-making and refrigeration machines. In April 1920, the previous advertisement was changed slightly in wording to claim that York Manufacturing Company made "Ice Making and Refrigerating Machinery *Exclusively.*"[2] This advertisement was used throughout 1920-1923. By 1925, the advertisement of plaintiff's predecessor proclaimed "The York Organization is the largest in the world, devoted *exclusively*[2] to the manufacture of Ice Making and Refrigerating Machinery." This claim was repeated as late as 1926. These advertisements belie plaintiff's present claim, that prior to 1923 a secondary meaning attached to its use of YORK as to heat-generating products or air-conditioning products as those terms are generally understood.

It is clear that plaintiff was the first to use the term YORK to refer to itself and its products; yet, in 1922-1923, plaintiff's principal products were ice-making and refrigerating machinery. The June 1922 issue of the house organ publication of plaintiff's predecessor stated, "The idea of the York Manufacturing Company was to devote itself entirely to the development of the highest type of refrigerating machine. . . ." This publication also listed plaintiff's 1922 products as various items and parts, "needed to equip a complete ice-making or refrigerating plant." It is important to note that no mention was made of any heating or air-conditioning products.

Under the related goods doctrine, plaintiff claims it should be protected as to YORK because the first user of a name has rights in that name even as to goods to which it had not applied the name or trademark. We do not think that in 1922-1923, conversion oil burners produced by defendant were so related in their common function as to be likely to cause confusion with the use by York Manufacturing Company of the term YORK on ice-making or refrigerating machinery. As hereinbefore stated, neither party was entitled to monopolize the geographical name YORK for all manner of products.

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[2] Emphasis supplied.

In *Consumers Petroleum Company* v. *Consumers Co. of Illinois,* 7 Cir., 169 F.2d 153, this Court decided a case wherein the facts were somewhat similar to the facts in the case at bar. The action was brought by Consumers Petroleum Company to enjoin the defendant from using the name "Consumers" in the business of marketing fuel oils. Plaintiff had been incorporated in 1925: defendant was incorporated in 1937 as a result of a reorganization of a corporation established in 1913. Defendant's predecessor was authorized by its articles to deal in coal, coke, wood and other fuels of all kinds. However, in 1925, when plaintiff was incorporated, defendant was not selling fuel oils.

Defendant did start to sell fuel oil in 1927, but did so under various trade names and not its own. In 1938, however, defendant changed its method and commenced selling fuel oil on its own account. The parties agreed that no confusion existed in the mind of the public prior to 1938. Defendant argued that plaintiff was charged with the knowledge that defendant might, at any time, commence to sell fuel oil in addition to other fuels.

This Court first decided that the solid fuels sold by defendant were not in the same descriptive class as fuel oil. We held that even though defendant might decide to sell fuel oil as part of its corporate business, it did not follow that it had a right to engage in the sale of such oil under a name, even its own name, which had been previously put to use by a competitor in the sale of such commodity.

In *Consumers,* this Court stated, 169 F.2d at page 161:

> "From these authorities and others which could be cited, it appears to be an established principle that a person or corporation can acquire a property right in a trade mark or trade name only by use of such mark or name in connection with goods of the same descriptive class. Applying this principle, we are of the view that the defendant acquired no property right in the trade name 'Consumers', as applied to

fuel oil, for the reason that it did not use such name in that connection until 1938, and long prior to that time the trade name had been appropriated and used by the plaintiff in connection with such business. As a corollary, plaintiff in 1925 had a right to appropriate and use the name in connection with fuel oil."

Plaintiff argues that defendant has proved no sales of furnaces prior to 1938, whereas plaintiff's predecessor sold furnaces under the YORK trademark and name in 1937. There is credible evidence to prove plaintiff's sale of furnaces in 1937. However, there is also credible evidence that defendant sold warm air furnaces under the name YORK as early as 1933, and such evidence sustains the findings of the District Court in this respect.

In 1938, plaintiff's predecessor undertook the purchase and resale of some furnaces under the brands YORK-AIRE and YORK. Edward R. Walsh, a man with heating experience, was employed to organize a furnace and heating department. In 1941, the venture of selling furnaces was abandoned. The heating equipment on hand was liquidated. An attempt was made to sell some of it to defendant. A former official of plaintiff's predecessor attributed the failure of the heating venture in the following manner: "Well, our marketing was through our own dealers and branch offices who were unfamiliar with the heating field. They didn't have any contract with the home builder and the residential market. . . . And the dealers weren't too enthused about getting into this new field. . . ." On the other hand, there were some dealers of plaintiff who were already handling established furnace lines including defendant's furnaces.

In 1943, when York Ice Machinery Corporation obtained its federal registration for YORK (Reg. No. 403,923), it disavowed any use of YORK for furnaces and heating products, and stated a furnace is for "heating purposes and is widely different from air-conditioning apparatus," and that "any possibility of confusion is non-existent."

The manufacture and sale by plaintiff of steam engines and boilers as well as heating coils in connection with some

air-conditioning devices, under the name of YORK, and all prior to 1933, the date when defendant commenced the manufacture of warm air furnaces, does not provide a sufficient basis for granting judgment to the plaintiff.

Another reason why plaintiff should not be granted the relief requested is that it is guilty of laches. Plaintiff's predecessor, although a much larger company, was fully aware that defendant's predecessor had applied the name YORK to its conversion burners which were used in furnaces since 1922. It knew that defendant's furnaces were advertised and sold under the name YORK since 1933. The manufacturing plants of plaintiff and defendant were located in close proximity to each other. Commencing as early as 1927, a number of plaintiff's high officers and officials caused defendant's oil conversion units to be installed in furnaces in their homes. Yet, the record does not disclose a single objection by any of plaintiff's predecessors to defendant's use of YORK over a period of at least thirty to thirty-five years.

The friendly and cordial relationship between plaintiff's and defendant's predecessor for several decades may have cooled somewhat in 1954 when defendant refused to sell out to its larger neighbor, but that does not change the applicable law.

This Court recently held in *Seven-Up Company* v. *O-So-Grape Co.*, 283 F.2d 103, that prolonged and inexcusable laches bars injunctive relief in trademark cases. We stated, at page 106: "Laches does not necessarily constitute a conclusive and automatic bar to injunctive relief in trademark actions. However, in many instances, the delay may be so prolonged and inexcusable that it would be inequitable to permit the plaintiff to seek injunctive relief as to future activities." In the case at bar, we hold it would be inequitable for plaintiff to be awarded an injunction as to defendant's use of the word YORK on oil conversion units and furnaces.

We now pass to consideration of the judgment rendered in favor of the defendant on its counterclaim. It should

be noted that defendant never registered the name YORK alone as to any of its products. In the 1950 registration, the words YORK and HEAT appear, the letters thereof arranged vertically. The words YORK and HEAT were separated by the letters Y/H. The design of the 1955 registration was the same excepting the word "GAS" was substituted for "Y/H."

Defendant's competitive conduct has not been entirely blameless. As an illustration, in 1936, when plaintiff had widely advertised "YORK leadership" in "air conditioning", defendant followed shortly thereafter with an advertisement asserting that "it remained for YORK to lead the industry" with its "Winter Air Conditioner."

Defendant's advertising copied terms and phrases used in plaintiff's advertising. Plaintiff had frequently advertised YORK quality. Thereafter, defendant advertised with reference to its products, "There is no substitute for YORK quality." Since 1931, plaintiff had consistently advertised "York Experience." Thereafter, defendant advertised as to its products, "York's Experience."

Nevertheless, the record supports the District Court's findings and holding that defendant has the exclusive right to use YORK on oil conversion burners and furnaces. Plaintiff's crash program of entering the heating market by the sale of furnaces under the name of YORK did cause damage to the defendant.

A complication, difficult of solution, is that in recent years the air-conditioning industry and the heating industry have come together to the extent that a unit is now manufactured which, in its capacity as a furnace, heats a home or other building in cool weather, while in warm weather, the same unit in its capacity as an air-conditioner, can cause cool air to pass through the ducts to the rooms of the building. Defendant has advertised that its furnaces are adapted to receive and utilize cooling units.

In the injunction below, plaintiff was enjoined from selling any "heat generating products" in connection with any business which includes the name YORK. As hereto-

fore pointed out, "heat generating products" is a broad designation. Plaintiff should not be restrained from using heating coils or units in its air-conditioning devices such as have previously been used by plaintiff or the air-conditioning industry. On the other hand, defendant should not be permitted to advertise its furnaces as air conditioners under the name YORK.

The provisions of the decree pertaining to damages cannot be sustained in the form entered in the District Court. The judgment provides plaintiff shall pay defendant $2,280,000 for the amount of damages sustained by defendant resulting from plaintiff's use of YORK for furnace and heating products. It also provides plaintiff shall account for and pay over to defendant all profits derived from plaintiff's sale of furnace and heating products under the name and trademark YORK.

It is not clear what part of the $2,280,000 allowed as damages is for defendant's lost profits. The theory upon which this sum was determined was based on lost profits from lost sales. Plaintiff insists an award of both damages plus plaintiff's profits permits a double or duplicate recovery and is improper. *Century Distilling Co.* v. *Continental Distilling Corp.*, 3 Cir., 205 F.2d 140.

Defendant has the burden of proving by competent evidence what its actual damages were. On the other hand, damages are not rendered uncertain because they cannot be calculated with absolute exactness. It is sufficient if a reasonable basis of computation is afforded. *Eastman Kodak Co.* v. *Southern Photo Materials Co.*, 273 U.S. 359, 379.

When defendant made its calculations as to damages, it gave no consideration as to the great proportionate increase in the sale of gas-fired furnaces. From 1948 to 1959, the period under consideration, sales of gas-fired units rapidly increased, while the sale of oil-fired furnaces remained relatively stable. In 1948, there were sold 143,075 oil units and 218,900 gas units. In 1958, there were 190,223 sales of oil units, but during the same period, 975,900 gas units were sold.

Without any evidence as to how many gas-fired units it sold after 1953, defendant says it is entitled to estimate its sales at 1.6% of the combined national oil and gas unit sales, because this is the share of the national market defendant held in the pre-infringement period. Defendant's calculations and the judgment below fail to make any allowance or adjustment for the fact that the national market in 1959 was a different market than it was in the pre-infringement period. It is not reasonable for defendant to assume it was entitled to 1.6% of a national market wherein the emphasis had shifted from a product pioneered by the defendant to a product to which it was a newcomer.

There is also in the record, evidence of several intervening causes of defendant's decline in business in 1953 attributable to defendant or to causes other than plaintiff. Consideration should be given to these factors.

As stated, the District Court was correct in awarding judgment in favor of the defendant on its counterclaim. However, the remedy devised was improper under the circumstances of this case. The injunction was too broad in its scope and should be revised to incorporate the suggestions previously considered in this opinion. The defendant's damages must be recomputed in the light of the shift in consumer demand from oil-fired to gas-fired furnaces, and any intervening causes responsible for the decline in defendant's business. The defendant is not entitled to an accounting to recover the plaintiff's profits. An accounting for an infringer's profits is an equitable remedy. The federal statute provides that the trademark owner's right to recover damages, profits and costs is "subject to the principles of equity." 15 U.S.C. §1117. A finding of infringement does not, as a matter of right, entitle the owner to recover the infringer's profits. *Williamson-Dickie Mfg. Co.* v. *Davis Mfg. Co.*, 3 Cir., 251 F.2d 924; *Morgenstern Chemical Co.* v. *G.D. Searle & Co.*, 3 Cir., 253 F.2d 390.

We have previously considered the fact that the defendant's conduct has not been entirely blameless. Under the circumstances of this case, we feel that complete justice will be accomplished by limiting defendant's remedy to an injunction and recovery of its actual damages. This case is, therefore, remanded to the District Court with instructions to revise the injunction and recompute the damages on a reasonable basis in the light of this opinion. Taxable attorney fees shall not be allowed.

JUDGMENT for defendant is modified and the cause remanded for a recomputation of damages.

UNITED STATES COURT OF APPEALS
For The Seventh Circuit
Chicago 10, Illinois

Wednesday, July 26, 1961

Before

Hon. John S. Hastings, Chief Judge

Hon. F. Ryan Duffy, Circuit Judge

Hon. Win G. Knoch, Circuit Judge

BORG-WARNER CORPORATION,
Plaintiff-Appellant,
No. 13211
vs.
YORK-SHIPLEY, INC.,
Defendant-Appellee.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division

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This cause came on to be heard on the transcript of the record from the United States District Court for the Northern District of Illinois, Eastern Division, and was argued by counsel.

On consideration whereof, it is ordered and adjudged by this court that the judgment of the said District Court in this cause appealed from be modified, and that this cause be and it is hereby, remanded to the said District Court with instructions to revise the injunction and recompute the damages on a reasonable basis in the light of the opinion of this Court filed this day. Taxable attorney fees shall not be allowed.

It is further ordered and adjudged by this Court that the costs on appeal be equally divided between the parties.

UNITED STATES COURT OF APPEALS
For The Seventh Circuit
Chicago 10, Illinois

Wednesday, September 13, 1961

Before

Hon. John S. Hastings, Chief Judge

Hon. F. Ryan Duffy, Circuit Judge

Hon. Win G. Knoch, Circuit Judge

BORG-WARNER CORPORATION,
Plaintiff-Appellant,
No. 13211
vs.
YORK-SHIPLEY, INC.,
Defendant-Appellee.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division

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It Is Ordered by the Court that plaintiff-appellant's petition for rehearing be, and the same is hereby, denied.

It Is Further Ordered by the Court that defendant-appellee's petition for rehearing and clarification be, and the same is hereby, denied; no taxable attorney fees shall be taxed into this Court or in the District Court.

UNITED STATES COURT OF APPEALS
For The Seventh Circuit
Chicago 10, Illinois

I, Kenneth J. Carrick, Clerk of the United States Court of Appeals for the Seventh Circuit, do hereby certify that the foregoing ..... pages contain a true copy of the Opinion, filed July 26, 1961; Judgment, entered July 26, 1961; Order denying petition for rehearing, entered September 13, 1961 in:

Cause No. 13211

BORG-WARNER CORPORATION,
Plaintiff-Appellant,

vs.

YORK-SHIPLEY, INC.,
Defendant-Appellee.

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as the same remains upon the files and records of the United States Court of Appeals for the Seventh Circuit.

In Testimony Whereof I hereunto subscribe my name and affix the seal of said United States Court of Appeals for the Seventh Circuit, at the City of Chicago, this eleventh day of October A.D. 1961.

(Seal)

/s/ Kenneth J. Carrick
Clerk of the United States Court of Appeals
for the Seventh Circuit.

Office-Supreme Court, U.S.
FILED
NOV 13 1961
JOHN F. DAVIS, CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1961.

No. 509

BORG-WARNER CORPORATION,
Petitioner,

vs.

YORK-SHIPLEY, INC.,
Respondent.

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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THE GUNTHORP-WARREN PRINTING COMPANY, CHICAGO

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STATUTE CITED.

15 U. S. C. 1114(1) 2, 13

IN THE

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No. 509.

BORG-WARNER CORPORATION,

Petitioner,

vs.

YORK-SHIPLEY, INC.,

Respondent.

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

QUESTIONS PRESENTED.

The questions stated by petitioner are not presented by this action. Petitioner states, "For purposes of this petition, petitioner is not now challenging the denial of the affirmative relief which it sought below" (Pet., p. 5). Thus, the questions presented here are confined to the following respecting respondent's counterclaim:

1. When respondent has shown long, prior use and secondary meaning of the name and trademark YORK for furnace products, may petitioner, with knowledge of re-

spondent's long and extensive use of YORK, adopt and use the name and trademark YORK for the same products?

2. When the Court of Appeals has held that the findings of the District Court constitute a sufficient finding that respondent's use of the name and trademark YORK for furnace products acquired a secondary meaning prior to petitioner's use of YORK for furnace products, should petitioner be granted a further review of the evidence of such prior use and secondary meaning by this Court?

3. When petitioner has admitted that the concurrent use of YORK for furnace products is likely to cause confusion, and the existence of actual confusion and damage has been proved by respondent, is respondent, as the first user of the name and trademark YORK for furnace products, entitled to protection against petitioner's subsequent use of YORK for the same products?

STATUTE INVOLVED.

Petitioner has failed to set forth the statute directly involved in this case. It is 15 U. S. C. 1114(1), set forth in the Appendix hereto (p. 15).

STATEMENT.

This is a trademark infringement and unfair competition action. It is almost entirely a fact case. The courts below found that the facts support respondent's counterclaim rather than petitioner's complaint. The applicable law is not in dispute. The basic facts of the case are stated and documented below.

Petitioner, Borg-Warner Corporation, is a large manufacturing concern doing business in a variety of fields (Def's. A. 133-138). Its York Division, which it acquired in June of 1956 and which was previously known as York

Corporation and York Ice Machinery Corporation, manufactures and sells YORK ice making, refrigeration, and air conditioning equipment, and recently, YORK furnace and heating products (Def's. A. 1-28; Plf's. A. 53-85). The York Division has its offices and principal manufacturing establishment in York, Pennsylvania.

Respondent, York-Shipley, Inc., likewise is located in York, Pennsylvania, as were its predecessors, York Oil Burner Company and York Oil Burner Company, Inc. (Def's. A. 69-70, 176, 380-381, 385-390; DX 111). Respondent's original predecessor, York Oil Burner Company, commenced its use of the name and trademark YORK for automatic oil burners in 1922 (Def's. A. 69-70, 75, 90-91; Plf's. A. 311-313), and since then respondent and its predecessors have continued to manufacture and sell oil burners and other furnace and heating products under the name and trademark YORK in various areas of the country (Def's. A. 51, 70-76, 83-89, 122-123, 175-176, 181-187, 191, 197, 199-200, 206-207, 214-230, 285-298, 310-313, 386, 391-402, 467-468, 497; DX Y-52, 98, 102, 113, 122, 133).

During its early history, respondent's predecessor was one of the largest manufacturers of automatic heating products in the United States (Def's. A. 73-74). It was a pioneer and one of the leaders in the industry, and its trademark and trade name YORK were well and favorably known (DX Y-61-65; Def's. A. 73-74, 87-89, 121-122). York Oil Burner Company's volume of sales, like that of the infant automatic heating industry, was modest during the first few years, but by 1928 it had grown to be substantial (DX Y-49A-I, Y-50A-II, Y-61, Y-65; Def's. A. 79-82, 87-89). In 1931, York Oil Burner Company was ranked fourth in the industry (DX Y-61B; Def's. A. 73-74). Respondent still offers the most complete line of residential and commercial heating equipment in the industry (Def's. A. 121, 392).

York oil burners were exhibited by respondent's predecessor in all of the heating exhibitions and trade shows of the earlier years (DX Y-55; Def's. A. 84-85, 189-191, 204). At least as early as 1924 (Def's. A. 51, 74-75), it exhibited in the York County Fair (DX Y-51; Def's. A. 82-83).

From the beginning, York Oil Burner Company advertised its YORK heating products in newspapers, circulars and brochures (DX 99 A-L (See 99 A-B, Def's. A. 497, 498); Def's. A. 91, 192-199). York Oil Burner Company commenced national advertising of its YORK heating products in 1927 (Def's. A. 72), and such advertising has continued to the present (DX Y-57-Y-60, 100 (p. 31), 113; Def's. A. 86, 203-204, 398-403).

Respondent registered its YORK trademark in various forms in the United States Patent Office for furnace and heating products (DX 107-109), and its registration No. 520, 615 for "YORK-YH-HEAT" (DX 106, 108; PX 159 (Plf's. A. 325)) has become incontestable pursuant to the United States Trademark Act of 1946 (15 U. S. C. 1065).

The original predecessor of petitioner's York Division was a general machine shop business named York Manufacturing Company (Plf's. A. 3). It was incorporated in 1895 (Plf's. A. 3) and concentrated on the ice making machinery business (Def's. A. 17-18, 51). Its successor was known from 1927 until 1942 as "York Ice Machinery Corporation" (Plf's. A. 3-4). As late as 1926 petitioner's advertising claimed "The York Organization is the largest in the world, devoted *exclusively* to the manufacture of Ice Making and Refrigerating Machinery" (emphasis supplied) (PX 170; App. B. 9a). In the late 1920's or early 1930's, petitioner commenced the manufacture of air conditioning equipment (Def's. A. 18-20, 37, 116-118, 317-318, 345; Plf's. A. 171-172). In about 1938, it purchased and resold a few furnaces under the brands YORKAIR

and YORK, but abandoned this effort in about 1941 (Def's. A. 4-7, 26-27, 251, 319-320, 322, 324-325, 327, 330-331, 345-346, 364).

Petitioner and respondent have operated side by side in the same small city, York, Pennsylvania (Def's. A. 315), under the YORK name and trademark for thirty-nine years, much of that time literally across the street from each other (DX Y-19, Y-20; Def's. A. 13-14, 164-165, 167-168, 316, 404). More than thirty-four years ago, the President and other principal officials of petitioner's predecessor were purchasing YORK oil burners from respondent and having them installed in their homes and serviced by respondent (DX Y-36, 97; Def's. A. 71, 105, 179-181, 214-215, 281). Virtually all of the officers and officials of petitioner's York Division and its predecessors have been acquainted and in daily contact with respondent's officers and officials for more than a generation (Def's. A. 15, 29-31, 156, 159-160, 162-163, 232-234, 238-239, 254-256, 258-259, 262, 268-277, 281-282, 315, 354; DX Y-37 (Def's. A. 483-484, DX 91). For more than a decade (1937 through 1948) respondent was the *exclusive franchised distributor* of petitioner YORK products in the York, Pennsylvania area (DX Y-20, Y-66; Plf's. A. 75-76; Def's. A. 13-14, 39-40, 129-130, 375-376, 404-406).

In 1952, when petitioner's predecessor again considered entering the furnace and heating products business, it consulted with respondent which had long been in the heating business and with whom it had a long standing, intimate and cordial relationship, to determine if respondent could supply heating products to petitioner (DX 104; Def's. A. 10-11, 272-274, 304-309, 314-315, 337-338, 347-348). After extended correspondence, conferences and consultations with respondent (DX 104; Def's. A. 304-309), petitioner's predecessor terminated its negotiations with respondent and made other arrangements with the C. A.

Olsen Furnace Company for the purchase of furnaces to be resold under the name YORK (Def's. A. 348-349).

Petitioner's predecessor commenced the sale of the Olsen furnace in 1954 (Def's. A. 348-349). These arrangements proved unsatisfactory (Def's. A. 270-271), and petitioner's predecessor again approached respondent (Def's. A. 341-342, 349-350). This time, it tentatively offered to buy respondent outright (DX Y-87; Def's. A. 48-49, 341-342, 429-431). Respondent rejected the offer (DX Y-87; Def's. A. 341-342, 431, 435), and petitioner's predecessor then undertook negotiations in 1956 to acquire another furnace company (Def's. A. 11-12, 367-368).

During the first half of 1956, while York Corporation was negotiating for the purchase of a furnace company in Bloomington, Illinois, Borg-Warner Corporation carried on its negotiations to acquire York Corporation (Def's. A. 350-352). The negotiations between York Corporation and Borg-Warner Corporation were consummated in June, 1956, whereupon the pending negotiations between York Corporation and the Bloomington, Illinois furnace company were cancelled (Def's. A. 11-12, 351-352). Upon completion of the merger, petitioner commenced amalgamating its AIRLINE and INGERSOLL furnace business into its York Division (Def's. A. 135-136, 140-141, 351-352).

In 1958, simultaneously with an announcement to the trade and public that it was invading the heating market under YORK (Plf's. A. 39; DX 121), petitioner confronted respondent with the demand that respondent get out of the heating business under the name YORK (Def's. A. 436). Petitioner recognized that there should not be two YORK furnace and heating lines put out by different companies, and to petitioner, the solution was obvious. Respondent simply should abdicate its rights in YORK in favor of petitioner. The "confidential" minutes of the July 17, 1958

meeting of petitioner's Patent Committee arrogantly refer to this "most logical course" (DX 138, Def's. A. 522).

Immediately following petitioner's predecessor's 1954 initial use of YORK on Olsen furnaces, respondent began experiencing the damage of the inevitable confusion (Def's. A. 434). Respondent commenced receiving misdirected mail evidencing such confusion and inquiring about petitioner's YORK furnace; and petitioner received mail intended for respondent (DX 126; Def's. A. 148, 416, 421-427). In 1958, after Borg-Warner had completely amalgamated its INGERSOLL furnace business into its York Division and was manufacturing and promoting a line of YORK furnaces, confusion, mistake and deception of the public and of respondent's dealers became rampant in every area in which both respondent and petitioner marketed their YORK heating products (DX 126; Def's. A. 416, 421-427, 441-466).

Confusion became even more damaging to respondent as plaintiff commenced advertising and promoting its YORK furnace and heating products in the same trade shows and trade magazines in which respondent's YORK furnace and heating products appeared (DX 121-125; Def's. A. 417-421). Important trade publications, such as the "Annual Buyer's Guide," began confusing petitioner's YORK heating business with that of respondent's, even mistakenly listing respondent as a Division of Borg-Warner Corporation (DX 124-125; Def's. A. 420-421). Respondent's dealers discontinued and threatened to discontinue handling its line because of the confusion resulting from "two furnaces going under the name YORK" (Def's. A. 444, 451, 461-462). Other dealers stopped advertising and promoting respondent's line for the same reason (Def's. A. 451, 462). Following petitioner's entry into the residential furnace and heating products market under YORK,

respondent's YORK residential line dropped from a profit (DX 135, Ex. "C") to more than a million dollar loss (DX 134, Ex. "A"; Plf's. A. 284).

On August 22, 1958, petitioner filed its complaint in this action, seeking to enjoin respondent's use of YORK, either alone or in conjunction with other words (Plf's. A. 8-9). Respondent answered, denying the allegations of the complaint and alleging several affirmative defenses, and counterclaimed to stop petitioner's invasion of the heating market under YORK (Plf's. A. 21-39). The counterclaim was based upon respondent's long prior use of YORK for furnace and heating products, the secondary meaning of YORK signifying respondent in the furnace and furnace products market, the damaging confusion caused by petitioner's entry into such market, and petitioner's knowledge of respondent's prior rights and intent to defraud respondent and misappropriate its rights in YORK for heating. Petitioner's reply to the counterclaim was a general denial. No affirmative defenses were pleaded by petitioner.

The District Court dismissed the complaint, and this dismissal was affirmed on appeal (App. B. 11a-12a). Respondent's counterclaim was sustained and petitioner was enjoined from the use of YORK for furnace and heat generating products. The District Court also awarded respondent an accounting of profits and $2,280,000 damages. The Court of Appeals held that the injunctive language "heat generating products" was too broad, and directed that the injunction be modified. Contrary to petitioner's claim (Pet., p. 4), the Court of Appeals held only that, "Plaintiff should not be restrained from using heating coils or units in its air-conditioning devices such as have previously been used by plaintiff or the air-conditioning industry" (App., B. 14a). The Court of Appeals affirmed the finding that

petitioner's acts had damaged respondent, but it directed the District Court to recompute the amount of damages (App. B. 16a). The accounting of petitioner's profits was ordered stricken, as was the award to respondent of its reasonable attorneys fees (App., B. 15a).

ARGUMENT.

I. PETITIONER HAS MISSTATED BOTH THE ISSUE INVOLVED AND THE HOLDING OF THE COURT OF APPEALS.

Petitioner's Statement erroneously asserts that the issue presented by this petition is whether respondent was properly granted "monopoly rights" in its trademark for furnaces (Pet., p. 5). The actual issue presented, however, is the same as in almost all trademark cases. It is not whether "monopoly rights" exist, but whether the concurrent use of two marks is likely to cause confusion as to source, and, thus, whether protection against such confusion is needed [15 U. S. C. 1114(1)].

Petitioner likewise misstates the holding of the Court of Appeals in claiming that that Court failed to recognize that respondent's mark must have acquired a secondary meaning prior to petitioner's entry into the heating market (Pet., p. 8). Instead, the Court of Appeals specifically held that the record and the findings of the District Court showed that respondent's mark had acquired a secondary meaning prior to petitioner's entry into the furnace market (App., B. 6a-7a):

> "*Plaintiff strongly urges that the record contains no proof of finding of fact that defendant had acquired a secondary meaning in the name* YORK *before plaintiff applied that name to its furnace and heating products.* Plaintiff refers to Conclusion of Law No. 3 which states defendant's long priority of use of the name and trademark YORK for furnace and heating products entitles defendant to the exclusive use of the name and trademark for furnace and heating products. Plaintiff argues that prior use is not sufficient and second-

ary meaning is not mentioned. *We agree that where a geographical or descriptive word is at issue, prior use alone is not sufficient.* (Emphasis supplied.)

* * * * *

"Although Finding No. 38 is directed principally to the Illinois statute, we think this Finding, together with Finding No. 27 is a sufficient finding as to secondary meaning. We do not think it fatal to defendant's cause on its counterclaim that the words 'secondary meaning' were not repeated in Conclusion of Law No. 3."

II. THERE IS NO CONFLICT BETWEEN THE INSTANT DECISION AND OTHER DECISIONS.

Petitioner argues that the decision below is in conflict with the decisions of other circuits requiring a showing of secondary meaning prior to petitioner's invasion of respondent's market (Pet., p. 9). As appears from the above quotation, however, the Court of Appeals below recognized and followed such law, specifically holding that the record and the findings of the District Court show that respondent's mark had acquired the requisite secondary meaning at the requisite time.

III. THE DISTRICT COURT MADE ADEQUATE FINDINGS WHICH ARE SUPPORTED BY THE RECORD.

Petitioner's second reason for granting the writ likewise urges, contrary to fact, that the District Court failed to find that respondent's mark had acquired a secondary meaning prior to petitioner's invasion of the heating market (Pet., p. 12). Again, the Court below followed the law which petitioner claims is controlling, but held that the District Court sufficiently found a prior secondary meaning, and that those findings are supported by the record. Petitioner's claim merely amounts to seeking a third review of the evidence by this Court.

In support of its contention that the findings are insufficient, petitioner urges that the record cannot support a finding of prior secondary meaning (Pet., pp. 12-14). Both courts below, however, considered the evidence of respondent's long use, sales, advertising and the resultant public and trade knowledge of respondent's use of YORK for heating. That evidence was held ample to justify the findings of secondary meaning. Petitioner's own long standing knowledge of respondent's thirty-five year use of YORK in the furnace and heating products business itself refutes petitioner's present claim that respondent's mark was not well-known or that a secondary meaning had not attached respecting furnace and heating products long prior to petitioner's recent invasion of the heating business under YORK. As stated by the Court of Appeals (App., B. 12a):

> "Plaintiff's predecessor, although a much larger company, was fully aware that defendant's predecessor had applied the name YORK to its conversion burners which were used in furnaces since 1922. It knew that defendant's furnaces were advertised and sold under the name YORK since 1933."

Moreover, the petition is misleading in claiming that respondent must prove its secondary meaning prior to 1938 (Pet., p. 13). Although petitioner entered the furnace and heating market under the marks YORKAIR and YORK at that time, both Courts below correctly noted that petitioner abandoned this effort in 1941, and did not again enter the furnace market under YORK until 1954 (App., B. 4a, 11a). Thus, it was incumbent upon respondent to prove only that its mark had achieved a recognition prior to 1954, not prior to 1938. Nonetheless, the record and the findings disclose that respondent's mark had achieved a recognition and secondary meaning in the heating field, and was well known in that field to petitioner itself, long prior to petitioner's short-lived 1938 venture.

IV. NO ISSUE OF MONOPOLY RIGHTS IS PRESENTED BY THIS CASE.

For its third argument petitioner asserts that respondent is not entitled to "monopoly rights" in the use of YORK for furnace products because respondent's mark is YORK in combination with other features (Pet., pp. 14-17). Respondent's federal registrations show, however, that in respondent's "YORK-YH-HEAT" registration the word "Heat" is disclaimed (PX 160, DX 107; Plf's. A. 325) and in its "YORK-GAS-HEAT" registration, the word "Gas" is disclaimed (DX 109), leaving the word YORK as the identifying word registered in both. Moreover, the question is not whether "monopoly" rights exist, but whether the concurrent use of two marks is likely to cause confusion as to source, and, thus whether protection against such confusion is needed [15 U. S. C. 1114(1)]. Respondent proved and the Courts below found that petitioner's entry into the furnace and heating market under YORK caused confusion and resultant damage (Finding of Fact, No. 35, Plf's. A. 353; Finding of Fact, No. 37, Plf's. A. 354). The Court of Appeals held (App., B. 13a):

> "Nevertheless, the record supports the District Court's findings and holding that defendant has the exclusive right to use YORK on oil conversion burners and furnaces. Plaintiff's crash program of entering the heating market by the sale of furnaces under the name of YORK did cause damage to the defendant."

Petitioner implies that respondent's use of "Heat" and "Gas" in conjunction with YORK precludes any likelihood of confusion with plaintiff's use of YORK for furnaces, but petitioner's complaint alleges the opposite, stating that use of YORK by respondent, "both alone and in conjunction with other words, to wit, 'Heat,' 'Shipley,' 'Power,' and 'Radiare,' results * * * in confusing the public" (Plf's.

A. 8). To have held that petitioner has the right to use YORK on furnaces, the Courts below must necessarily have ignored the admitted confusion and resultant proven damage caused by the concurrent use of YORK for heating products by the parties. Since such confusion is precisely what the trademark laws seek to preclude, the latecomer respondent was properly enjoined.

CONCLUSION.

The decision below presents no conflict with prior decisions of this or any other court. Neither does it present any questions of such gravity and general importance as to justify a review by this Court. It is essentially a fact case, and the facts presented here are of interest only to the litigants. Respondent therefore requests that the petition for writ of certiorari be denied.

Respectfully submitted,

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APPENDIX.

15 U. S. C. 1114(i):

Any person who shall, in commerce, (a) use, without the consent of the registrant, any reproduction, counterfeit, copy, or colorable imitation of any registered mark in connection with the sale, offering for sale, or advertising of any goods or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods or services; or (b) reproduce, counterfeit, copy, or colorably imitate any such mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles, or advertisements intended to be used upon or in connection with the sale in commerce of such goods or services, shall be liable to a civil action by the registrant for any or all of the remedies hereinafter provided, except that under subsection (b) hereof the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such mark is intended to be used to cause confusion or mistake or to deceive purchasers.

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OCTOBER TERM, 1961.

No. 509

BORG-WARNER CORPORATION,

Petitioner,

vs.

YORK-SHIPLEY, INC.,

Respondent.

PETITIONER'S REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

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Respondent's refusal to discuss or attempt to meet the questions presented by the Petition is an obvious attempt to obscure their importance. But respondent succeeds only in pointing up the soundness of the Petition.

For example, with respect to the third question presented petitioner urged (Petition, pp. 14-17) that the decision below awarded to respondent exclusive rights in the geographic word "YORK" alone as a trademark on furnaces; despite the fact that respondent stated to the Patent Office "Obviously the word 'YORK', by itself, has geographical significance, and, therefore, is not subject to exclusive appropriation as a trademark by anyone."; despite the fact that respondent in overcoming a third party's registration of that word had denied that the single word "YORK" was its mark; despite the fact that

respondent had repeatedly and publicly asserted "YORK" was not its mark; and, despite the fact that respondent had abandoned any rights it may have acquired in the single word "YORK".

Respondent doesn't meet this argument but misstates it and then argues (Br., p. 13):

> ". . . Respondent's federal registrations show, however, that in respondent's 'YORK-Yh-HEAT' registration the word 'HEAT' is disclaimed (PX 160, DX 107; Plf's. A. 325) and in its 'YORK-GAS-HEAT' registration, the word 'Gas' is disclaimed (DX 109), leaving the word YORK as the identifying word registered in both."

Thus, respondent interprets the law to be that by *disclaiming* portions of its federal registrations for its combination trademarks, it *broadened* its rights to the remaining, geographical portions of those combination trademarks. Respondent employs a combination mark "YORK-yh-HEAT" in a particular design or shield. By disclaiming "heat" except as a part of the combination mark, respondent asserts it is left with "YORK" as "the identifying word", and thus claims exclusive trademark rights in "YORK"—exclusive rights in a geographical word it has admitted is not, and cannot be, its trademark.

It is respectfully urged that any doctrine permitting the broadening of rights in a geographical word which is a part of a combination mark by disclaimer of other portions of such a mark is totally unsound and has a serious and direct impact on the administration of the Lanham Trade Mark Act in the Patent Office, and materially affects the rights of users of geographical words as trademarks or trade names.

Similarly, with respect to the first and second questions, respondent attempts to avoid rather than to meet them.

As to the first question, Petitioner (Pet., pp. 9-12) pointed out that the holding of the Courts below lacked basis in that there was no finding that respondent had acquired a secondary meaning in the geographic word "YORK" identifying respondent's furnaces, before petitioner applied that mark to its furnaces. It was further shown that such holding was in conflict with the controlling law, as announced in decisions in the Second and Sixth Circuits.

The second question related to the requirement of Rule 52 (a) of the Federal Rules of Civil Procedure that a trial court make explicit findings on every material issue and is based on the District Court's failure to make the necessary finding as to *when* respondent's alleged secondary meaning was acquired.

Respondent refuses to discuss these issues. It erroneously asserts (B., p. 10) that the Court of Appeals held that the "records and findings of the District Court showed that respondent's mark had acquired a secondary meaning prior to petitioner's entry into the furnace market * * *."

Respondent alludes to the combining by the Court of Appeals of Findings 27 and 38 (P.A., 352, 354) and that court's holding that together they constitute (App. B., pp. 6a-7a) "a sufficient finding as to secondary meaning." However, each of the findings referred to by the Court of Appeals can be searched in vain for any indication that respondent acquired the alleged secondary meaning *prior* to petitioner's use of the mark on furnaces. Respondent does not explain the magic of its logic whereby two findings, each deficient in the same respect, can be combined and the common deficiency thereby cured.

The Court of Appeals recognized that "prior use is not sufficient" and secondary meaning must appear (App. B pp. 6a-7a); but it held, contrary to the decisions of other courts of appeals, that prior use, together with eventual secondary meaning, whenever acquired, was sufficient. It did not require, as would other courts, that the secondary meaning of a geographical word be acquired prior to petitioner's use of the geographical word on residential furnaces. The resulting conflict in decisions is one which this Court should resolve. The importance of the question to the public is obvious. Users of geographical and other words in the public domain should know what monopolistic rights in such words can be acquired. The public should know the manner in which such words can be exclusively appropriated.

Respectfully submitted,

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